



GENERAL SERVICES ADMINISTRATION

41 CFR Part 102-117

[FMR Case 2012-102-5; Docket 2012-0017, Sequence 1]

RIN: 3090-AJ34

**Federal Management Regulation (FMR); Restrictions on
International Transportation of Freight and Household Goods**

AGENCY: Office of Governmentwide Policy (OGP), General Services Administration (GSA).

ACTION: Proposed rule.

SUMMARY: GSA is proposing to amend the Federal Management Regulation (FMR) provisions pertaining to the use of United States air carriers for cargo under the provisions of the "Fly America Act." This proposed rule would additionally update the current provisions in the FMR regarding the Cargo Preference Act of 1954, as amended. Also, this proposed rule would amend the Federal Management Regulation (FMR) to state clearly that this part applies to all agencies and wholly-owned Government corporations except where otherwise expressly provided.

DATES: Interested parties should submit comments in writing on or before **[insert date 30 days after publication in the Federal Register]** to be considered in the formulation of a final rule.

ADDRESSES: Submit comments in response to FMR Case 2012-102-5 by any of the following methods:

- Regulations.gov: <http://www.regulations.gov>. Submit comments via the Federal eRulemaking portal by searching for "FMR Case 2012-102-5," select the link "Submit a Comment" that corresponds with "FMR case 2012-102-5." Follow the instructions provided at the "Submit a Comment" screen. Please include your name, company name (if any), and "FMR Case 2012-102-5" on your attached document.
- Fax: 202-501-4067.
- Mail: General Services Administration, Regulatory Secretariat (MVCB), ATTN: Hada Flowers, 1275 First Street NE., 7th Floor, Washington, DC 20417.

Instructions: Please submit comments only and cite FMR Case 2012-102-5, in all correspondence related to this case. All comments received will be posted without change to <http://www.regulations.gov>, including any personal and/or business confidential information provided.

FOR FURTHER INFORMATION CONTACT: The Regulatory Secretariat at 202-501-4755, for information pertaining to status or publication schedules. For clarification of content, contact Ms. Lee Gregory, Office of Governmentwide Policy, at 202-501-1533 or e-mail at lee.gregory@gsa.gov. Please cite FMR case 2012-102-5.

SUPPLEMENTARY INFORMATION:

This proposed rule, if adopted, would inform readers where to find additional information regarding bilateral or multilateral air transport agreements, to which the United States Government and the government of a foreign country are parties, and which the Department of Transportation has determined meets the requirements of the Fly America Act.

As these agreements qualify as exceptions to the use of U.S. flag air carrier service mandated by FMR section 102-117.135(a), this proposed rule, if adopted, would advise of an Internet-based source of information regarding the use of foreign air carriers under the terms of these bilateral or multilateral agreements. Additionally, this proposed rule would incorporate language regarding other exceptions to the Fly America Act and would more clearly define who would be subject to the provisions implementing the Fly America Act and the Cargo Preference Act.

A. Background

The Fly America Act, 49 U.S.C. 40118, requires the use of United States air carrier service for all air cargo transportation services funded by the United States Government. The requirements of the Fly America Act apply whenever the air transportation of the cargo is funded by the U.S. Government. One exception to this requirement is

transportation provided under a bilateral or multilateral air transport agreement, to which the United States Government and the government of a foreign country are parties, and which the Department of Transportation has determined meets the requirements of the Fly America Act.

The United States Government has entered into several air transport agreements that allow Federally-funded transportation services for cargo movements to use foreign air carriers under certain circumstances. For example, on April 25 and April 30, 2007, the United States-European Union (EU) Air Transport Agreement (U.S.-EU Agreement) was signed, providing EU air carriers the right to transport cargo, including household goods, on scheduled and charter flights funded by the United States Government (excluding transportation funded by the Secretary of Defense or in the Secretary of a military department), between any point in the United States and any point in an EU Member State or between any two points outside the United States for which a U.S. Government civilian Department, Agency, or instrumentality (1) obtains the transportation for itself or in carrying out an arrangement under which payment is made by the U.S. Government or payment is made from amounts provided for use of the U.S. Government; or (2) provides transportation to or for a foreign

country or international or other organization without reimbursement.

The United States Government and the European Union amended the U.S.-EU Agreement with a Protocol signed on June 24, 2010. In the amended agreement, the United States further extended the rights of EU air carriers to transport cargo on scheduled and charter flights funded by the United States Government between any point in the United States and any point outside the United States, or between any two points outside the United States. Norway and Iceland joined the U.S.-EU Air transportation agreement as amended by the Protocol on June 21, 2011, granting carriers from those countries the same rights.

The United States has air transport agreements with Australia, Switzerland, and Japan, which allow carriers from those countries to transport cargo subject to the Fly America Act between their respective home countries and the United States and between two points outside the United States. The provisions in the agreements with Australia and Switzerland became effective on October 1, 2008. The provisions in the agreement with Japan took effect on October 1, 2011.

The United States previously entered into an agreement with Saudi Arabia regarding Federally-funded transportation services for cargo movements under which Saudi Arabian air

carriers are permitted to transport cargo from Saudi Arabia to the United States and from the United States to Saudi Arabia when the transportation is funded by U.S. Government contractors providing services to Federal Government entities.

Accordingly, rather than amend the FMR to include language from each of these agreements, and thereafter amending the FMR each time there is a change in air transport agreements that affect U.S. Government-funded cargo transportation, GSA is issuing this proposed rule which, if adopted, would provide an Internet-based source of information (<http://www.state.gov/e/eb/tra/ata/index.htm>) relating to such agreements. This approach would allow GSA to provide and quickly update relevant information as new agreements are signed or current agreements are amended without invoking the regulatory process. In the future, if GSA were to determine that further guidance is necessary, GSA may issue FMR Bulletins, or involve the regulatory process, as appropriate.

Additionally, GSA is proposing to update the FMR to include additional exceptions to the Fly America Act, such as cargo transportation services that are fully reimbursed by a third party, e.g., a foreign government, an international agency, or other organization. As the Federal Government is not expending any of its own funds, such services are not covered by the Fly America Act.

In accordance with 49 U.S.C. § 40118(c), GSA is proposing regulations under which agencies may expend appropriations for cargo transportation using foreign air carriers when it is deemed necessary. There have been limited circumstances in the past where the use of a foreign air carrier was deemed necessary. For example, when the Government Accountability Office (formerly the General Accounting Office), had responsibility for implementing the Fly America Act, the Comptroller General held that when time requirements could not be met the use of a foreign flag carrier was deemed necessary. (See The Honorable Norman Y. Mineta Chairman, Subcommittee on Aviation Committee on Public Works and Transportation, House of Representatives, Comptroller General, B-210293, June 13, 1983).

The use of foreign carriers should be very limited and approval should only be granted after a determination that one or more of these circumstances exist: no U.S. flag air carrier can provide the specific air transportation needed, no U.S. flag air carrier can accomplish the agency's mission, no U.S. flag air carrier can meet the time requirements in cases of emergency, there is a lack of or inadequate U.S. flag air carrier aircraft, or to avoid an unreasonable risk to safety. This rule proposes to include a provision stating that use of

a foreign air carrier is permissible in these circumstances, but these circumstances should be rare.

Further, this proposed rule would update section 102-117.135(b) to include the current telephone number, e-mail address, and website for the U.S. Department of Transportation Maritime Administration (MARAD), Office of Cargo Preference and Domestic Trade. This proposed rule would also identify the website for agencies to go to for information that MARAD requires to be submitted by the shipping Department or Agency when cargo is shipped subject to 46 U.S.C. 55305, the Cargo Preference Act of 1954, as amended.

Finally, GSA is proposing to revise the language in FMR section 102-117.15 to state clearly that this part applies to all agencies and wholly-owned Government corporations except as otherwise expressly provided.

B. Executive Orders 12866 and 13563

Executive Orders 12866 and 13563 direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). E.O. 13563 emphasizes the importance of quantifying both costs and benefits, reducing costs, harmonizing rules, and promoting

flexibility. This is not a significant regulatory action, and therefore, would not be subject to review under Section 6(b) of E.O. 12866, Regulatory Planning and Review, dated September 30, 1993. This rule would not be a major rule under 5 U.S.C. 804.

C. Regulatory Flexibility Act

While these revisions are substantive, this proposed rule would not have a significant economic impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act, 5 U.S.C. 601, et seq. The proposed rule is also exempt from the Administrative Procedure Act per 5 U.S.C. 553 (a)(2) because it applies to agency management or personnel.

D. Paperwork Reduction Act

The Paperwork Reduction Act does not apply because the proposed changes to the FMR would not impose recordkeeping or information collection requirements, or the collection of information from offerors, contractors, or members of the public that require the approval of the Office of Management and Budget (OMB) under 44 U.S.C. 3501, et seq.

E. Small Business Regulatory Enforcement Fairness Act

This proposed rule is also exempt from Congressional review prescribed under 5 U.S.C. 801 since it relates to agency management or personnel.

List of Subjects in 41 CFR Part 102-117

Transportation Management

Dated: May 20, 2013

Kathleen M. Turco
Associate Administrator,
Office of Governmentwide Policy

For the reasons set forth in the preamble, GSA proposes to amend 41 CFR part 102-117 as follows:

PART 102-117-TRANSPORTATION MANAGEMENT

1. The authority citation for 41 CFR part 102-117 is revised to read as follows:

Authority: 31 U.S.C. 3726; 40 U.S.C. 121(c); 40 U.S.C. 501, et seq.; 46 U.S.C. 55305; 49 U.S.C. 40118.

2. Revise § 102-117.15 to read as follows:

§ 102-117.15 To whom does this part apply?

This part applies to all agencies and wholly-owned Government corporations as defined in 5 U.S.C. 101, et seq. and 31 U.S.C. 9101(3), except as otherwise expressly provided.

3. Revise § 102-117.135 to read as follows:

§ 102-117.135 What are the international transportation restrictions?

Several statutes mandate the use of U.S. flag carriers for international shipments, such as 49 U.S.C. 40118, commonly referred to as the "Fly America Act", and 46 U.S.C. 55305, the Cargo Preference Act of 1954, as amended. The principal restrictions are as follows:

(a) Air cargo: This subsection applies to all air cargo transportation services where the transportation is funded by the U.S. Government, including that shipped by contractors, grantees, and others when the transportation is financed by the Government. The Fly America Act, 49 U.S.C. 40118, requires the use of U.S. flag air carrier service for all air cargo movements funded by the U.S. Government, except when one of the following exceptions applies:

(1) The transportation is provided under a bilateral or multilateral air transportation agreement to which the United States Government and the government of a foreign country are parties, and which the Department of Transportation has determined meets the requirements of the Fly America Act.

(i) Information on bilateral or multilateral air transport agreements impacting United States Government procured transportation can be accessed at <http://www.state.gov/e/eb/tra/ata/index.htm>; and

(ii) If determined appropriate, GSA may periodically issue FMR Bulletins providing further guidance on bilateral or multilateral air transportation agreements impacting United States Government procured transportation. These bulletins may be accessed at <http://www.gsa.gov/bulletins>;

(2) When the costs of transportation are reimbursed in full by a third party, such as a foreign government, an international agency, or other organization; or

(3) Use of a foreign air carrier is determined to be a matter of necessity by your agency, on a case-by-case basis, when:

(i) No U.S. flag air carrier can provide the specific air transportation needed;

(ii) No U.S. flag air carrier can meet the time requirements in cases of emergency;

(iii) There is a lack of or inadequate U.S. flag air carrier aircraft;

(iv) There is an unreasonable risk to safety; or

(v) No U.S. flag air carrier can accomplish the agency's mission.

Note to § 102-117.135(a)(3): The use of foreign flag air carriers should be rare.

(b) Ocean cargo: International movement of property by water is subject to the Cargo Preference Act of 1954, as amended, 46 U.S.C. 55305, and the implementing regulations found at 46 CFR part 381, which require the use of a U.S. flag carrier for 50% of the tonnage shipped by each Department or Agency when service is available. The U.S. Maritime Administration (MARAD) monitors agency compliance with these laws. All Departments or Agencies shipping Government-impelled cargo must comply with the provisions of 46 CFR 381.3. For further information contact the U.S. Department of Transportation, Maritime Administration (MARAD), Tel: 1-800-996-2723, E-Mail: cargo.marad.dot.gov. For further information on international ocean shipping, go to: <http://www.marad.dot.gov/cargopreference>.

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